

# Principal Examiner Feedback

Summer 2014

International GCSE Commerce  
(4CM0/01)

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## **General Comments**

This was the fourth June IGCSE Commerce examination under the updated IGCSE Commerce specification. The overall standard for this relatively new examination continues to be encouraging. Moreover, more centres and their students appear to have been able to deal with the format and style of the examination paper, and the change of timing of the examination paper to two hours in length. With regards to the latter point, there was no evidence of any students not completing the examination paper due to time pressures. Students continue to cope well with the use of the question paper as answer book. There were very few occasions where students used space in addition to the answer lines in order to complete their answers. The standard of written communication was generally very good.

Some students continue not to always answer at the appropriate level of skill. In this connection, the command words on the examination paper and the mark scheme are particularly relevant to centres. Each question indicates the level at which it is based:

AO1 Demonstrate - this assessment objective tests students on their ability to demonstrate their knowledge and understanding of the commercial term, idea or concept mentioned in the question. For example, Question 9 asks students to 'List two methods of sales promotion.' Command words such as 'List', 'Name', 'Describe', 'Give' and 'State' confirm that the question is at this level.

AO2 Apply – this assessment objective tests students' ability to relate their answer to the context. In this series, the context to question 14 was about the financing of a computer. For example, question 14 (c) required students to say 'why do many consumers choose to lease a computer rather than pay by cash?' Command words such as 'Why', 'Calculate', 'Give an example in context' and 'What was' confirm the question is at this level.

AO3 Analyse – this assessment objective requires students to select, interpret or otherwise analyse some point presented in the question. For example, question 15 (d) asked students to 'analyse why an appreciation in a country's exchange rate might cause a current account deficit'. Command words such as 'Analyse', 'Compare' and 'Select' confirm the question is at this level.

AO4 Evaluate – this is the most demanding assessment objective which tests students' ability to formulate some judgements. For example, question 16 (b) expected students to 'explain why regional distribution warehouses are important to some businesses'. Command words such as 'Evaluate', 'Explain why', 'Judge' and 'Consider' confirm the question is at this level.

The published online mark schemes continue to be an invaluable resource to centres for a number of purposes. Possible answers are provided as indicators of what is expected but the answers provided are not meant to be exhaustive. The possible answers are structured using dashes and obliques. It remains the practice to use a dash in order to separate points that are worth additional marks, and an oblique to indicate an alternative way of making the same point.

### **Question 1**

The four parts of this question were generally well answered, with many students gaining 2 or 3 marks out of the four marks available. Part (d) was the least well answered.

### **Question 2**

Students generally were able to give relevant examples but found difficulty in defining the term 'consumer durables' to part (a) and the term 'consumer legislation' to part (b). In some instances, consumer durables was defined as simply being consumer goods, and consumer legislation as simply shop rules. Also, sometimes students did not provide examples at all or got confused by giving examples the wrong way round. Overall, the teaching topic of defining key commercial terms, as set out in the syllabus, needs attention by all centres.

### **Question 3**

A simple calculation was required but many students failed to use the correct formula of expenses divided by turnover multiplied by 100%.

### **Question 4**

The majority of students scored at least one mark for this question by mentioning the disadvantage of 'home industries not being protected' and possibly having to close down. However, many students found difficulty in mentioning other disadvantages as stated in the published mark scheme. Answers such as 'increasing expenses', 'more paperwork' and 'more debts' were considered too vague to be given any marks.

### **Question 5**

It was pleasing to see that the concept of a cover note was generally well known by many students across centres. The valid answers cited in the published mark scheme, such as 'provides temporary cover', 'shows that the premium has been paid' and 'provides proof of insurance while the policy is being prepared' were frequent valid answers scored by students.

### **Question 6**

This question was generally well answered. Many students either answered this question by either identifying a disadvantage of using waterways or by explaining the waterway disadvantage with an example. Both methods were appropriate. However, marks were not given for answers that simply listed disadvantages, for example, the word 'slow' without development.

### **Question 7**

The majority of students scored at least two marks to this question on matching commercial documents as being home or international.

### **Question 8**

This question produced many correct answers of broker or agent. Some students lost marks by giving incorrect answers such as insurer or underwriter.

**Question 9**

Many students were able to provide two correct sales promotion methods such as free samples, special offers and competitions. Weaker general answers were limited to increasing advertising and offering methods of appeal.

**Question 10**

Many students demonstrated very good knowledge of the difference between 'ordinary shares' and 'preference shares' recognising that the former earned a variable dividend dependent on profits whereas the latter earned a fixed interest payment. A minority of students lost marks by confusing the two terms and placing their answers the wrong way round.

**Question 11**

The best answers identified that employees, working on an assembly line, were subject to boredom by carrying out repetitive tasks, were likely to be demotivated and could be replaced by machines resulting in unemployment. Weaker students did not fully appreciate that the question was essentially asking, in an applied situation, the main disadvantages of division of labour as they gave generalised answers that could apply to assembly lines such as working with heavy and dangerous machinery. Overall, a topic that differentiated well between students, as marks were evenly spread across all mark bands from 0 to 3 marks.

**Question 12**

There were a variety of answers to this question. Many answers focussed on the valid reasons of pipelines having a high capacity and that of being used for long distances. Fewer students focussed on the reasons of less pollution and not being affected by the weather.

**Question 13**

The topic of communications was generally found difficult by the majority of students. Good students were able to link improvements in communications to the expansion of international trade. Typically, such students explained how videoconferencing enabled meetings to take place across different countries so that buyers can see goods available and make orders. Again, good answers realised that email increased the information concerning goods and services helping international trade to occur more quickly. Weaker answers made general points about communications and international trade without linking them or explaining how communication improvements could lead to international trade expansion.

**Question 14**

This question required students to study the resource material of an advertisement for the purchase of a computer and apply their knowledge and understanding. Although many students had calculated that hire purchase was the cheapest finance option to part (a), the other two incorrect options were frequent choices. Part (b), concerning the disadvantages of using hire purchase, produced many good answers with valid points such as goods can be repossessed, high interest payments and the fact that the computer is not owned until the final instalment often provided. In part (c) students needed to identify a relevant reason for the leasing option, such as that the computer can be repaired if it breaks down, so that the consumer does not have to meet this

expense if it happens. However, many answers were weak to part (c) as many students simply stated what leasing meant without applying their knowledge to the context of the question.

### **Question 15**

Answers to the three elements of part (a) revealed mixed results. Although there were many fully correct answers to (i) there were a minority of students who confused the two formulae required. Other students did not know the correct formulae to the calculation of the balance of trade and balance of payments. Also, a sizeable minority of students lost marks by not giving a minus sign to the two balance figures. Please note that it is good practice for students to show clear indication of their final answer by underscoring it. To part (a) (ii) the majority of students gave two appropriate examples of invisible trade. Most students found (iii) a very challenging question. Students often understood the difference between the balance of trade and the balance of payments, however many simply defined the terms without applying their responses to the question set. It was only a small number of students who appreciated that a balance of trade shortfall could be counter-balanced by other parts of the balance of payments accounts.

The majority of students scored well on part (b). Better answers explained one or two developed benefits of increasing exports to a country. Often these answers explained that exports brought foreign currency into the country to pay for imports thereby increasing economic growth and improving the standard of living. Weaker answers often gave a list of benefits without explanation or just defined exports without mentioning their importance. Moreover, some students gave irrelevant factors such as promoting good relations or the benefits generally to businesses.

Marks gained to part (c) often rested on whether students had read the question properly. The majority of students understood the question and wrote about the effects of tariffs and quotas. Better students defined each of the two trade restriction terms and explained how each reduced imports and protected domestic firms. One good answer is shown below:

'Quotas are to protect infant industries from foreign competition and to prevent dumping from other countries which have surpluses. By providing a limit on the number of goods imported, this also helps to correct a balance of payments deficit in order to allow exports to exceed imports.'

In answering part (d) weaker responses explained a current account deficit but were unable to analyse how an appreciation caused it. Conversely, better responses gained 4 or 5 marks by explaining the effect of an appreciation on the price of imports and exports, and the subsequent effect on the demand for imports and exports.

### **Question 16**

Part (a) was generally not well answered. Good students did identify from the source material provided that being near transport links helped businesses to move goods quickly, and reduce costs, when sending goods to their branches. Answers not applied to the stimulus material as set in the accompanying diagram, such as 'making it easier to transport goods', were not worthy of credit.

In part (b) few students scored high marks. Many students lost marks by describing general wholesaling functions or by mistakenly thinking that regional distribution warehouses were themselves separate wholesalers supplying small retailers. The good answers recognised that large scale retailers needed regional distribution warehouses in order to supply their different store branches in the region, thereby ensuring a ready supply of stock and reducing overall costs.

Many students scored reasonable marks to part (c), (i) and (ii). Good students to part (i) explained how warehousing was used to regulate demand and supply leading to stable prices. Good answers to part (ii) explained how certain goods were produced at certain times of the year and then stored in a warehouse allowing their supply throughout the year. Weaker answers to parts (i) and (ii) gave lists of undeveloped points, or less detail or simply described the role of warehousing in storing goods. Part (d) tested assessment objective A03 and proved challenging for many students, particularly to score marks in the 6-8 marks category. Better answers demonstrated good knowledge and understanding of bonded warehouses and analysed these functions when dealing with dutiable goods and re-exported goods. There were many vague and generalised answers that focussed on the duties of HMRC in controlling imports.

### **Question 17**

This question focussed on business organisations.

Part (a) (i) looked for a comparison of two business organisations in terms of control. Many students identified correctly that the sole proprietor was controlled by the individual owner but some students said that public limited companies were controlled by the government instead of directors, thereby not gaining the second mark. The question part (a) (ii) was better answered with many maximum scores

Part (b) differentiated well with a wide spread of marks from 0 to 4. The question did not require students to know what after-sales service was but to apply their commercial understanding about the possible benefits of going to a sole proprietor instead of a public limited company for bicycle repairs. Weak answers assumed that public limited companies would not offer after-sales service. Some answers made the initial point that the sole proprietor would offer a friendlier service but failed to provide the necessary development/explanation.

One good answer is shown below:

'Mr Tomkins will be able to provide a more personal and friendly service. He is more likely to offer immediate advice to the cyclist and deal with his repairs there and then, without completing lots of documentation. He is also likely to be more convenient to go to, being based in the local area. BigBikes plc is a large company which would be more remote from its customers, so to gain

after-sales service would involve a long drawn out process, taking more time and money.'

Many students to part (b) lost marks by simply giving the advantages of email, such as being 'cheaper' and 'quicker' without applying it to the context of the question or saying why email was cheaper or quicker. The best answers covered points such as email being worldwide, could be saved for future reference and the advantage of storing messages.

In answering part (c) better students analysed how relocating to a new factory in Asia could potentially reduce costs due to cheap labour, thereby enabling lower prices and greater sales. Weaker answers produced a list of reasons without analysis.

Many students found it difficult to explain two relevant ways of how the activities of a multi-national company might not benefit a country to part (d). However, a small minority of students were well informed on this topic and clearly aware of the debates on this issue within their own countries. Some such answers discussed how multi-nationals would use up a country's resources and then move out to the country, leaving no resources for future generations. Moreover, how multi-nationals would send their profits out of the country to their country's headquarters causing an outflow of foreign currency. Weaker answers were often confused by the meaning of 'possible conflicts of interest' as mentioned in the question.

## Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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